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ABSTRACT

If cable television is to survive in the competitive marketplace, it will have to show increased foresight in designing new services and facilities. Cable television regulations, which may have been an impediment to past growth, should be fully reviewed by the Federal Communications Commission (FCC) and deleted or corrected if necessary; but cable television will achieve success only through its own entrepreneurial initiative. Very often, cable television has provided only an echo of services already provided by broadcast networks; it might instead provide such distinctive services as quality children's programing, cultural programing, and programing for minorities. Although the National Cable Television Association has predicted that cable television would provide far-reaching services, its predictions have not been borne out by reality. The cable television industry should not expect regulatory protection from the FCC but should learn to compete with new technologies in providing services for the public. It should serve minorities through its employment practices and should offer programs in the public interest. Only if cable television provides a unique service in quality, diversity, and state-of-the-art technology will it receive the public backing it needs to survive. (GW)

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REMARKS OF CHARLES D. FERRIS

CHAIRMAN, FEDERAL COMMUNICATIONS COMMISSION

BEFORE THE

27TH ANNUAL CONVENTION

NATIONAL CABLE TELEVISION ASSOCIATION

NEW ORLEANS HILTON, NEW ORLEANS, LOUSIANA

MAY 2, 1978, 12:00 NOON

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Charles D. Ferris

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC) AND USERS OF THE ERIC SYSTEM."

We are in the midst of becoming an information society. An explosion of technology coupled with new consumer demands for services is facing all communications industries--including yours. The introduction of the low-cost Model T Ford revolutionized the way we travel. So too advances in satellites, fiber optics and computer technology can radically change the ways we communicate--and the way we live.

Cable has been a part of this evolution. You have improved television services for the American public. You have been among the first to grasp the potential of new satellite technology. But you like other industries will have to keep adapting to survive.

I come here today not to praise you for your past perseverance and innovation, but to warn you that if cable does not show more foresight in designing new services and facilities, it may be bypassed in the marketplace by those who do.

Both houses of Congress are considering whether and how to define your place in the Communications Act. Some experts suggest that

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you have a bright future. Others say you are an industry whose great future is in the past. Your long-term role in the national communications scheme hangs in the balance.

You may also be challenged by changes in the FCC's regulatory framework. You have often regarded regulation as an impediment to growth. And there is justification for that view. Too often the FCC's cable rules have been--and still are--needlessly protective of other industries and other technologies. I believe that regulation should not impede the dynamic forces of technological change. I will repeat the same theme I stated to the National Association of Broadcasters: I am committed to a zero based approach to regulation.

Zero based regulating means that we ought to take a fundamental look at the reasons for the rules we have. We ought to ask what our precise regulatory goals are and whether our rules are serving those goals. Yesterday's reasons should not govern tomorrow's technology. Unnecessary rules will be deleted. Inefficient rules will be corrected. Our rules must be factually-based and rationally applied--not only to satisfy reviewing courts, but to satisfy ourselves.

The cable television rules do need a full review, top to bottom, from certification to signal carriage. And I will urge that they get it. We are doing some hard-nosed economic thinking. In this process, the Commission will expect both you and broadcasters to present not just rhetoric--and argument--and speculation--but real economic analysis of the impact of our rules. Where we find that deregulation serves the

public's interest by providing more and varied services, I will do everything in my power to foster it.

But today I do not want to talk to you about deregulation. I want to focus on what it will take for you to survive in the competitive marketplace.

The decisions reached by Congress and the Commission will have a significant impact on the future of the cable industry. But no FCC rules and no statutes are going to guarantee cable a share of the rapidly evolving communications industry. I often hear discussion about whether any new cable legislation will "recognize" cable's independent status. Your place in the sun will not be earned by legislative or FCC language. You will only earn that place by your own entrepreneurial initiative.

I am not certain you realize this, after years of regulation which has impeded the growth of your industry.

You have viewed yourselves as competitors of broadcasters, as you were seeking a foothold in the communications marketplace. You have now gained access to 13 million American television households.

But you really were not competing with broadcasters--except perhaps in legal pleadings in the regulatory forum. In the marketplace you have largely only helped broadcasters compete more effectively with each other. You have brought UHF stations into technical parity with VHF stations. You have imported distant signals to compete with local ones. But these are services that can be performed by improved television

sets, or by translators linked to satellite dishes. You have only just begun to actually compete with broadcasters by offering your own program services.

You have called yourself a medium of choice. But very often you have only provided an echo. Even the new pay services with feature movies are an extended version of the networks' night at the movies--without commercials. Are these services so distinctive that you can hope to expand your base of 1.6 million pay subscribers to reach millions more? I say this not to criticize you but to point out both the great potential and the great hazard of your position.

The potential is that the American public is dissatisfied, I think, with a television service of limited choice--caught in the iron grip of the ratings competition. The commercial networks and their affiliates compete for the lowest common denominator to gain a massive audience. The economics of their industry drives them to this. The result is that there are substantial numbers of viewers with specialized interests left unsatisfied.

For example, a growing number of parents are dissatisfied with what broadcast television offers their children. They want to change the system. They want no commercials--and they want better programming. And many of them may be willing to pay for it, because they recognize the profound effect of television on their children. They want the FCC to act to limit commercials and to improve programming. But the dilemma of regulators is that at some point by limiting commercials in a mass audience, advertiser-supported medium, we may undercut that industry's ability to support better programming.

I expect that we will be acting in response to this problem. But you can be acting too in the marketplace. And you may have a more profound impact than we can.

You can create quality children's programming. We cannot. You can eliminate commercials in such programming by charging a fee. We could do so--if at all--only after assuring ourselves that broadcasting's public services could survive.

Public television has entered the children's market and found it highly profitable, both in direct viewer contributions and public support for increased government funding. But public television can meet this demand during only a few of the hours children watch television each day. You could tap this market with a dedicated children's channel.

And what is true for parents concerned about what their children watch is also true for viewers interested in opera or minority oriented programming. Such programming seldom finds its way onto commercial television because of its economies of scale. The cable marketplace may even support all-news television, just as all-news radio has found a market.

It is great to be a young man or woman "with promise." But someday we are all expected to live up to that promise. Your industry has been long on promise. But now that you are reaching your 30th year, more will be expected of you than promise.

I read recently a brochure published 5 years ago entitled "Cable Television is Coming". It said:

"all new CATV systems will have two-way capability, the capacity for two-way communications between you and your TV set"

"cable television has the capability to function...as sort of an electronic daily newspaper, zeroing in on unique community events"

"CATV subscribers miles from campus can take university courses for credit in their own homes"

"libraries use cable channels for reference services, special programs, even nitely bedtime stories for children"

"CATV's abundance of channels and unique capability to repeat programming make it an ideal medium for literacy training, high school equivalency training and self-improvement courses"

"programs designed specifically for specialized audiences--be they minorities, the young, the aged, men, women...may soon become a reality because of cable communications"

These are not my words. They are yours. The brochure was published by NCTA. It concluded with a litany of cable's "limitless" possibilities:

"--facsimile reproduction service to bring printed material such as publications, library reference material and mail into the home.

--computer links to the home providing virtually unlimited access to specialized information.

--video shopping with merchandise displayed in color.

--burglary, fire and warning devices.

--home-to-office/home-to-school links (lessening the need for travel).

"cable can become a tool to help solve our monumental urban traffic and intercity transportation problems; a device to help city dwellers develop a sense of local community pride and participation."

Just about the only thing your brochure didn't point out was that with two-way cable we could all participate in a national "Gong Show."

I know there are some systems that have experimented or are experimenting with each of these possibilities. You have not totally abandoned this vision. But do any of you honestly believe this picture bears any relationship to the reality of your industry today--five years later.

You can provide these services if you want to--now. There are no regulatory barriers holding you back. But where are your innovators--your bold and farsighted pioneers?

Regulation has perhaps kept your industry "fixed" in place so long that you now seem to have a regulatory fixation. You are too often more concerned about maintaining the status quo than in focusing on the new services and the new technologies that will stimulate a viable and dynamic industry. But you had better begin developing a real competitive fixation, because the currents are swift and uncertain if ever we loosen the regulatory stays.

I say this to you bluntly because I have noticed in my first few months at the Commission that you often have an ambivalent view of regulation and competition. You favor competition and competitive principles when broadcasters are involved. But you prefer the security of regulatory protectionism when it comes to whether telephone systems can compete with you in providing cable services in remote rural areas--not to mention the major cities.

You argue that the FCC has broad powers to preempt local regulation of pay cable television and cable fees. And then your lawyers turn around and cite the same cases to argue that the FCC has no power to regulate cable's access services or equal employment practices. I am not sure you can always have it both ways.

You have long complained that our regulatory policies were too protective of one industry and based on the special relationship of the industry to the regulators. You may well have been right. But now that you are coming of age as an industry, you seem to want just such a special relationship.

You will not find me sympathetic to that position. For I believe that this agency's only constituency is the public interest. And I believe that the public interest demands that the Commission replace regulation with competition as a regulatory tool wherever possible. We cannot, should not, and will not impede new technologies--from whatever source--if they offer the public new and sought after services. If you cannot compete with new technologies you will be overcome by them.

I am not yet convinced, for example, that the concept of "one wire" to the home or business is the total answer. But I also do not endorse the concept of one chosen industry to provide all nationwide communications services--not yours or the telephone industry. If you do not serve rural America, you will be supplanted by someone else--if not by telephone companies, then by translators or roof-top satellite antennas.

At the NAB convention, I warned that broadcasters would need to adjust to these same competitive realities. If we allow greater

competition in broadcasting, strengthen UHF services and open the potential for new broadcast networks, then the present face of broadcasting may change. Some stations may begin competing not for the mass audience but for the specialized audiences. They may provide the two-way information retrieval services you have talked about for years. Broadcasters in Britain already have. And with the reach of broadcast technology and the experience of that industry, you may lose an edge.

Likewise, the technology of fiber optics, computers and communications has taken a quantum leap that may bring new and competitive wire distribution systems to your own. Do not forget that the railroads also once thought they had a monopoly on transportation service.

When I talked recently with broadcasters about the rigors of competition, I spoke to a group that has long been regarded as public trustees, who must provide public services. You have never really had to grapple with that idea. You are not, of course, public trustees in law. But that does not mean you can be unconcerned with public service. Because it will be public service that gives you the public constituency you need.

How often in the past have you referred in FCC arguments and Congressional testimony to your potential for services to minorities and other specialized groups in our society? But what have you really done in this past decade? In at least one area--employment of women and minorities--you could have made a unique case for recognition. But has your industry made a record that you can proudly compare with that of broadcasters? Whether

or not the FCC exercises jurisdiction is not the critical issue. You should do this because it is right. But if this is not enough, if only in your own political self-interest, I would have thought your record would be better at this late date.

And what is true of employment practices is true of your programming services. Public service makes good business sense. Viewers not only vote in the economic marketplace with their dollars but with ballots and letters to Congress.

This may seem too harsh a message. I do want to praise you for your past perseverance in an adverse financial and regulatory climate. But it is far more important for you to begin adjusting to the new realities.

Even if the Congress does reevaluate the cable regulatory framework and write cable into the Communications Act, it will not be writing cable into the communications future of this nation. Whether that happens is not up to the Commission or the Congress--it is up to you. And that is as it should be. So, as you plan for the regulatory or legislative battles you may see ahead, I urge you to look beyond and begin planning for where the action will really be.

So long as you offer only services that others may offer--over facilities which others can provide--I do not think that the public will demand your survival. If you do provide a unique service, in quality, diversity, and in state-of-the-art technology, you will have public backing.

History may or may not say of your industry that it was but a poor player that strut and fret its hour upon the stage, and then was heard no more.

For the sake of diversity, of genuine localism, and of improved delivery of home entertainment and information services, I hope this is not history's judgment. Whether it is or is not is up to you.